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December 27, 2002

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1882-1954  
JOHN S. FLETCHER  
1879-1961  
JOHN S. CARRIGER  
1902-1989  
JOHN S. FLETCHER, JR.  
1911-1974  
ALBERT L. HODGE  
1910-1997  
F. THORNTON STRANG  
1920-1999

\* ALSO LICENSED IN GEORGIA  
# ALSO LICENSED IN ALABAMA

VIA FEDERAL EXPRESS

The Honorable Sara Kyle, Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Attention: Docket Room

Re: Complaint of US LEC of Tennessee, Inc.  
Docket No. 02-00562

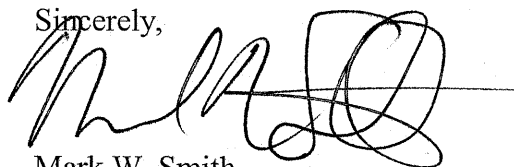
Dear Chairman Kyle:

We have enclosed an original and 13 copies of the Electric Power Board of Chattanooga's supplemental responses to the discovery requests of US LEC of Tennessee for filing in the captioned docket. We have also enclosed an original and 13 copies of the Electric Power Board of Chattanooga's Answer to the Amended Complaint of US LEC.

We would appreciate your time stamping and returning to us copies of these pleadings in the enclosed self-addressed, stamped envelope.

Thank you.

Sincerely,



Mark W. Smith  
For the Firm

MWS/gb

cc: Henry Walker, Esq. (w/enc.)  
Guy M. Hicks, Esq. (w/enc.)

EPB/TEL-USL--#42

BEFORE THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE

RE: COMPLAINT OF US LEC OF  
TENNESSEE, INC. AGAINST  
ELECTRIC POWER BOARD OF  
CHATTANOOGA

:  
:  
:  
:

Docket No. 02-00562

02 DEC 30 AM 10 02

TN REGULATORY AUTHORITY  
DOCKET ROOM

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ELECTRIC POWER BOARD OF CHATTANOOGA'S SUPPLEMENTAL  
RESPONSE TO DISCOVERY REQUEST OF US LEC OF TENNESSEE, INC.

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Comes the Respondent, the Electric Power Board of Chattanooga, an independent Board of the City of Chattanooga, Tennessee ("EPB"), by and through counsel, and pursuant to the Order Granting in Part and Denying in Part US LEC's Motion to Compel dated December 6, 2002 (the "Discovery Order") supplements its prior Response to Discovery Requests of US LEC of Tennessee, Inc. filed on September 20, 2002. For its response and the response of the Telecommunications Division of EPB ("EPB Telecommunications"), EPB states as follows:

Supplemental Response to US LEC Request No. 3. In the Discovery Order, the Hearing Officer directed EPB and EPB Telecommunications to provide additional detail as to the relationship between EPB and EPB Telecommunications. EPB supplements its prior response as follows:

EPB Telecommunications is a separate division of EPB. EPB Telecommunications has purchased its own facilities and equipment. EPB Telecommunications has its own employees whose activities are devoted to the Telecommunications Division (39 as of June 30, 2002). As envisioned in the Proposed Conditions, EPB has directly assigned certain costs to EPB Telecommunications, has directly attributed other costs to EPB Telecommunications, and has allocated indirectly attributable costs and unattributable costs to EPB Telecommunications. All

capital costs and most operating expenses of EPB Telecommunications are direct, rather than allocated between EPB and EPB Telecommunications.

It is the policy of EPB to follow the Proposed Conditions, and EPB attempts to conduct its accounting in accordance with the Proposed Conditions. In a few cases, mistakes have happened and for a particular accounting period, EPB may miscalculate an allocation. For instance, the accounting staff became aware of two issues after the books were closed for fiscal year 2002: (i) the highest rate for pole attachments had increased, thereby requiring a corresponding increase in the EPB charges to EPB Telecommunications for the Telecommunications pole attachments; and (ii) the number of EPB Telecommunications PCs changed in fiscal year 2002, resulting in the need to adjust the information technology allocation. Accordingly, adjustments will be made adding to the pole attachment charges and increasing the information technology allocation to EPB Telecommunications for fiscal year 2003, which will include the prior shortfalls. EPB's calculations indicate that these shortfalls total less than \$20,000.

Other than such errors that constitute a matter of timing, EPB does not believe that the relationship between EPB and EPB Telecommunications differs from that required by the Proposed Conditions, but to the extent necessary, these responses supplement the prior responses to US LEC Request Nos. 9 and 11.

EPB has prepared and filed annual reports with the TRA concerning its cost allocation methods for fiscal year 2000 and fiscal year 2001 (collectively, the "Annual Reports"). EPB is in the process of finalizing its annual report for fiscal year 2002. Among other things, the Annual Reports contain information regarding: (a) the name and address of all affiliated divisions of EPB; (b) all contracts entered into with affiliated divisions or entity, and all

transactions undertaken with any affiliates without a written contract; (c) the amount of affiliate transactions by affiliate by account charged; (d) the basis used to record affiliate transactions; (e) total costs allocated or charged back to each division; (f) updates of the allocation factors used to allocate costs between the electric system and the telecommunications division; (g) EPB's audited financial data for the electric system and the telecommunications division and on a consolidated basis; and (h) a computation of all tax allocations for regulatory purposes for property taxes, sales taxes, other state and local taxes and federal income tax.

In its Annual Report filings, EPB has also furnished additional information as the TRA staff has requested. This additional information includes (1) a description of the General Allocator; (2) the General Allocator for each month during the reporting period; (3) information regarding EPB Telecommunications' pole use; (4) information regarding EPB Telecommunications' conduit use; (5) information regarding EPB Telecommunications' building occupancy; (6) detail of the EPB corporate accounting function; (7) information regarding the current EPB Telecommunications employees and detailed information regarding employee benefits payments; (8) information regarding the information technology allocation; and (9) detailed information regarding the EPB Telecommunications operating expenses.

These Annual Report filings provide further detail as to the relationship between EPB and EPB Telecommunications, and copies of the Annual Report filings for fiscal year 2000 and fiscal year 2001 are attached.

Supplemental Response to US LEC Request No. 17: In the Discovery Order, the Hearing Officer directed EPB to clarify whether it provides other CLECs the right to use its rights of way,

conduits, easements or “any other instrumentalities or devices of EPB.” EPB supplements its prior response as follows:

- Pole attachment agreements: Please see EPB’s initial response to US LEC Request No. 17.
- Building entrance facilities: EPB does not give any CLEC, including EPB Telecommunications, the right to use its electric system building entrance facilities. Please also see the prior response to US LEC Request No. 21.
- Rights of way and easements: In the course of its electric system operations, EPB has obtained easements that permit a variety of utility uses, often including telephone and telecommunications uses. While in many cases CLECs can likely use EPB’s rights of way and easements without obtaining any third party consent, EPB’s pole attachment agreements with CLECs do not represent or warrant the availability of rights of way or easements for the attaching CLECs’ uses. Certain right of way and easement acquisition, clearing and maintenance costs are included in EPB’s pole attachment rate base (and therefore recovered to some extent through EPB’s pole attachment charges), but EPB does not make any specific charge in the attachment agreement for right of way or easement use (again, to the extent that any such use is permitted). Instead, these pole attachment agreements provide that the attaching CLECs are responsible for obtaining all necessary approvals from State and local governmental authorities as well as private property owners.
- Conduit. Between the certification of EPB for EPB Telecommunications and prior to the commencement of this proceeding, EPB did not receive any requests from CLECs to access EPB’s underground conduit system. Since the commencement of this proceeding, EPB has received one request from one CLEC for access to EPB’s underground conduit system. In response to that request, EPB offered to make available conduit access at the present rate of

\$2.77 per foot per year for the year 2002 and with the requirement that the CLEC use qualified workers to work in the EPB power space. These are the primary requirements presently applicable to EPB Telecommunications. EPB intended to negotiate a more definitive conduit installation and use agreement with the CLEC that would apply equally to EPB Telecommunications, but the CLEC has not pursued this option with EPB since EPB's response to the CLEC's initial request.

- Other instrumentalities or devices of EPB: The only other arrangements between a CLEC and EPB relating to "instrumentalities or devices of EPB" is an agreement with Kentucky Data Link under which KDL paid a portion of the cost for EPB to install fiber optics facilities on EPB poles and retained the right to use a portion of the fibers for a period of 40 years under the terms and conditions of that agreement. EPB also has a similar type fiber optics agreement with Iris Networks (formerly Tennessee Independent Telecommunications Group, LLC), though to EPB's knowledge, Iris Networks is a wholesale services provider and not a CLEC.

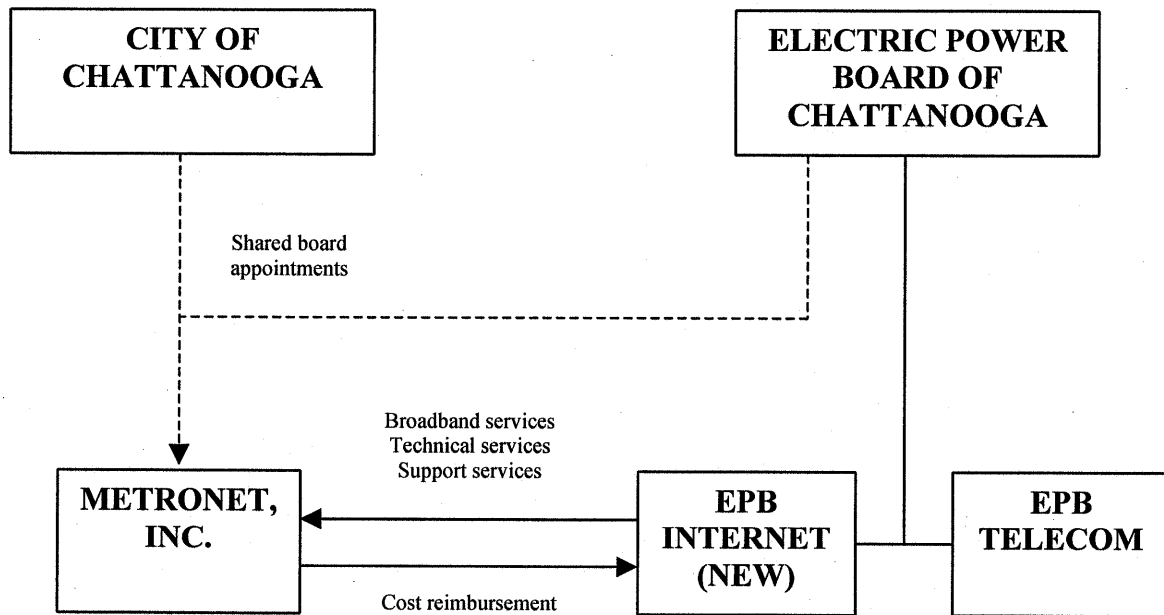
Supplemental Response to US LEC Request No. 19: In the Discovery Order, the Hearing Officer directed EPB to describe EPB's or EPB Telecommunications' relationship with MetroNet "or any MetroNet related entity," and further directed EPB to produce copies of any contracts "evidencing a business relationship between EPB, EPB Telecommunications and MetroNet and/or related entities." EPB supplements its prior response as follows:

MetroNet, Inc. was formed as a Tennessee non-profit corporation and a 509(a)(3) support organization to the City of Chattanooga. MetroNet is a hybrid entity that blends the economic development priorities and powers of the City of Chattanooga with the authorization of EPB to

provide Internet service. While EPB shares in the governance and control over MetroNet with the City of Chattanooga, EPB does not have an economic interest in the profits or losses of MetroNet. Rather, MetroNet is designed to be an economic development arm of the City of Chattanooga that will use state of the art Internet access as its primary tool for recruiting new businesses to Chattanooga and for retaining and growing Chattanooga's existing business base.

To gain authorization to provide Internet services directly and, more immediately, through MetroNet, EPB submitted a business plan to the State Director of Local Finance for approval pursuant to Tenn. Code Ann. §§ 7-52-103(c) and 7-52-601, as applicable, and followed the statutory process for obtaining such authorization. This process included holding a public hearing following receipt of the State Director of Local Finance's analysis of the business plan, obtaining EPB Board approval, and obtaining approval by the City Council of the City of Chattanooga.

The following table illustrates the relationship among the City of Chattanooga, EPB and MetroNet:

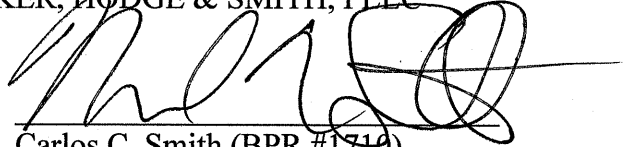


A copy of the Agreement providing for EPB's participation in MetroNet is attached. Under this Agreement, EPB will also be available to provide managerial and technical services to MetroNet in the provision of Internet services. Since the Agreement was signed, EPB has modified its revenue and expense projections, as reflected in the July 15, 2002 version of Exhibit B.

Respectfully Submitted,

STRANG, FLETCHER, CARRIGER,  
WALKER, HODGE & SMITH, PLLC

By:



Carlos C. Smith (BPR #1710)

William C. Carriger (BPR # 1778)

Mark W. Smith (BPR #16908)

Attorneys for Electric Power Board  
of Chattanooga

400 Krystal Building

One Union Square

Chattanooga, Tennessee 37402

(423) 265-2000



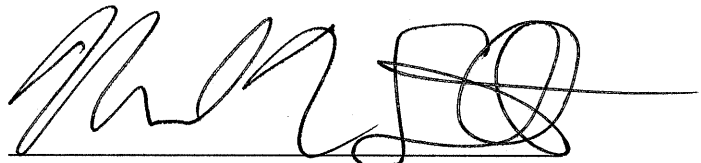
CERTIFICATE OF SERVICE

I certify that a true and exact copy of this pleading has been served upon the following attorneys by delivering a true and exact copy thereof to the offices of said counsel or by placing a true and exact copy of said pleading in the United States mail addressed to said counsel at his office with sufficient postage thereupon to carry the same to its destination:

Henry Walker  
Boult, Cummings, Conners & Berry, PLC  
414 Union Street, Suite 1600  
P.O. Box 198062  
Nashville, Tennessee 37219

Guy M. Hicks  
BellSouth Telecommunications, Inc.  
333 Commerce Street  
Suite 2101  
Nashville, Tennessee 37201

This 27 day of December, 2002.



For: Strang, Fletcher, Carriger, Walker,  
Hodge & Smith, PLLC

**Item 3**  
**Discovery**  
**Request -**  
**Supplemental**  
**Response**

**EPB Telecommunications**  
**Reporting Requirements**  
**Fiscal Year 2000**

**INDEX**

- a. The name and address of all affiliated divisions.
- b. All contracts entered into with affiliated divisions or entity, and all transactions undertaken with any affiliates without a written contract
- c. The amount of affiliate transactions by affiliate by account charged
- d. The basis used to record affiliate transactions
- e. Total costs allocated or charged back to each division
- f. Updates of the allocation factors used to allocate costs between the electric system and the telecommunications division
- g. EPB's audited financial data for the electric system and for the telecommunications division and on a consolidated basis
- h. A computation of all tax allocations for regulatory purposes as follows:
  - 1. Property taxes
  - 2. Sales taxes
  - 3. Other State and Local Taxes
  - 4. Federal Income Tax

**EPB Telecommunications  
Reporting Requirements  
Fiscal Year 2000**

**a. The name and address of all affiliated divisions.**

EPB Electric System  
P. O. Box 182255  
Chattanooga, TN 37422

**b. All contracts entered into with affiliated divisions or entity, and all transactions undertaken with any affiliates without a written contract**

Contracts:

Revolving Line of Credit Note to EPB for amounts advanced by the electric system to the Telecommunications Division up to \$18,000,000

Non-Contracts transactions:

Electric service provided to telecommunications facilities

**c. The amount of affiliate transactions by affiliate by account charged**

- |   |               |
|---|---------------|
| 1. Loan advanced from EPB to the Telecommunications Division:       | \$ 10,448,047 |
| 2. Interest expense on loan from EPB:                               | \$ 594,089    |
| 3. Electric service to free-standing Telecommunications facilities: | \$ 698        |

**d. The basis used to record affiliate transactions**

- |   |  |
|---|--|
| 1. Loan advanced from EPB to the Telecommunications Division  |  |
| Basis: cash value   |  |
| 2. Interest expense on loan from EPB  |  |
| Basis: highest of prime rate published in <i>Wall Street Journal</i> , or earned on invested electric funds |  |
| 3. Electric service to free-standing Telecommunications facilities  |  |
| Basis: TVA published rates, commercial classification   |  |

**EPB Telecommunications  
Reporting Requirements  
Fiscal Year 2000**

**e. Total costs allocated or charged back to each division**

**Total Allocations to Telecommunications -  
FY 2000**

<u>Expenses</u>	<u>Amount FY 2000</u>
Information Technology	100,580.29
Rental - Poles	34,990.68
Building Rental	68,195.93
Corporate Accounting	38,854.41
Annual Audit & Report	1,825.00
Payroll Benefits	164,584.51
EPB Overhead	83,641.54
Telephone Services	<u>376.30</u>
	<u>493,048.66</u>

**EPB Telecommunications**  
**Reporting Requirements**  
**Fiscal Year 2000**

**f. Updates of the allocation factors used to allocate costs between the electric system and the telecommunications division**

1. Information Technology – Costs were allocated based on the labor and mainframe hours used, and on the number of Telecommunications PC's.
2. Rental - Poles - Based on actual number of poles used, their location, and number of feet of conduit used. The dollar charge is the highest EPB charges any outside party for comparable pole attachments.
3. Building Rental - Allocated based on square footage occupied by Telecommunications.
4. Corporate Accounting - Allocated on analysis of accounting functions performed by each employee.
5. Annual Audit & Report – Allocated based on increase in the annual audit fee.
6. Payroll Benefits – Pension, Post-retirement, 401K, Life, Disability, & Workers Comp Insurance, Misc. Employee Benefits allocated based on a payroll ratio calculated using total labor dollars.

Health Insurance – Allocated based on the type of insurance policy taken out by each employee.

Dental Insurance - Allocated based on the number of employees.

7. EPB Overhead – Management and administrative personnel including Human Resources. Allocated based on the General Allocator.

Insurance covering Liability, Property, Comprehensive Dishonesty, General Liability, Auto Liability, Directors & Officers Liability, and Umbrella Excess Liability. Allocated based on the number of employees.

8. Telephones – Allocated based on actual number of phones used by Telecommunications.

**EPB Telecommunications  
Reporting Requirements  
Fiscal Year 2000**

- g. EPB's audited financial data for the electric system and for the telecommunications division and on a consolidated basis**

**EPB Telecommunications**  
**Reporting Requirements**  
**Fiscal Year 2000**

**h. A computation of all tax allocations for regulatory purposes as follows:**

**1. Property taxes**

TAXING DISTRICT	JUNE 30, 1999 NET BOOK VALUE	ASSESSMENT RATIO	1999 TAX RATE	1999 EQUALIZATION RATIO	TAX
CHATTANOOGA	\$ 1,103,725.22	0.55	2.3100	0.8846	\$ 12,404.59
HAMILTON COUNTY	1,103,725.22	0.55	3.5190	0.8846	18,896.87
Total Property Tax	\$ 2,207,450.44				\$ 31,301.46

**2. Sales taxes**

Capital expenditures	\$ 6,270,773
Material Expenses	133,366
Total	<u>\$ 6,404,136</u>

@ 6.00% State \$ 384,248

Capital expenditures	\$ 6,270,773
Material Expenses	133,366
Total	<u>\$ 6,404,136</u>
Less: Single Article	<u>2,862,583</u>
	<u>\$ 3,541,553</u>

@ 2.25% State \$ 79,685

Total Sales Tax \$ 463,933



**EPB Telecommunications**  
**Reporting Requirements**  
**Fiscal Year 2000**

**3. Other State and Local Taxes**

**Privilege Tax**

Gross Receipts	\$ 91,251
Less: Exempt	<u>5,000</u>
	\$ 86,251

@ Privilege Tax rate	<u>3%</u>
Privilege Tax	\$ 2,588
Credit for Franchise & Excise	<u>19,868</u>
Net Privilege Tax	<u>\$ 0</u>

**Franchise, Excise Tax**

Franchise, Excise Tax (calculation attached)	<u>\$ 19,868</u>
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**4. Federal Income Tax**

Federal Income Tax Documentation attached	<u>\$ 0</u>
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**Tennessee Department of Revenue  
Franchise, Excise Tax Return**

**FAE  
170  
1032**

Taxable Year <u>99</u> Beginning: <u>7/01/00</u> Ending: <u>6/30/01</u>	Account No. 000000000000 Due Date 10/15/2001	FEIN or SSN 999999999 If this is an amended return, please check the box at right. <input type="checkbox"/> If the taxpayer is inactive in Tennessee, please check the box at right. <input type="checkbox"/> If this is a final return for termination or withdrawal, please check box at right. <input type="checkbox"/> If the payment for this return was sent via EFT, please check the box at right. <input type="checkbox"/> If the taxpayer is a member of a consolidated group, please check the box at right. <input type="checkbox"/> If the taxpayer is a member of a partnership operating in Tennessee, please check the box at right. <input type="checkbox"/>
Check appropriate block(s): a <input checked="" type="checkbox"/> Tennessee domestic corporation b <input type="checkbox"/> Foreign corporation c <input type="checkbox"/> S corporation d <input type="checkbox"/> Insurance company e <input type="checkbox"/> LLC f <input type="checkbox"/> PLLC g <input type="checkbox"/> Single member LLC/individual h <input type="checkbox"/> Single member LLC/corporation i <input type="checkbox"/> Single member LLC/general partnership j <input type="checkbox"/> Single member LLC/division of parent (see instructions) k <input type="checkbox"/> LP l <input type="checkbox"/> LLP m <input type="checkbox"/> RLLP n <input type="checkbox"/> PRLLP o <input type="checkbox"/> Business trust p <input type="checkbox"/> Not-for-profit q <input type="checkbox"/> Other		

Taxpayer Name and Mailing Address	
Name <u>EPB - Telecommunications System</u>	Enter the principal business activity code (NAICS) listed in federal IRC instructions that best describes the principal business activity in Tennessee.  <u>513300</u>  If you use a paid preparer and do not want forms mailed to you next year, check box at right. <input checked="" type="checkbox"/>
Box (street) <u>PO Box 182255</u>	
City <u>Chattanooga</u>	
State <u>TN</u> ZIP Code <u>37422</u>	

<b>Schedule A - Computation of Franchise Tax</b>	
1 Total net worth from Schedule F, line 6.....	1 -3,963,358
2 Total real and tangible personal property from Schedule G, line 14.....	2 7,947,089
3 Franchise tax (25cent per \$100.00 or major fraction thereof on the greater of lines 1 or 2; minimum \$100.00).....	3 19,868
<b>Schedule B - Computation of Excise Tax</b>	
4 Income subject to excise tax from Schedule J, line 30.....	4 -3,576,991
5 Excise tax (6% of line 4).....	5 0
6 Add: Recapture of excise tax credit from Schedule T, Part 2.....	6
7 Net excise tax due (line 5 plus line 6).....	7 0
<b>Schedule C - Computation of Total Tax Due or Overpayment</b>	
8 Total franchise and excise taxes - Add lines 3 and 7.....	8 19,868
9 Deduct: Total credit from Schedule D, line 7 (cannot exceed line 8).....	9
10 Subtotal: Line 8 less line 9 (if line 9 exceeds line 8, enter 0 here).....	10 19,868
11 Deduct: Total payments from Schedule E, line 7.....	11
12 Penalty (5% for each 30-day period of delinquency not to exceed 25%; minimum penalty is \$15).....	12
13 Interest ( % per annum on taxes unpaid by the due date).....	13
14 Penalty on estimated franchise, excise tax payments.....	14 3,775
15 Interest on estimated franchise, excise tax payments..... See Worksheet.....	15
16 Total amount due (overpayment) - Add lines 10, 12, 13, 14, and 15, less line 11.....	16 23,643
If overpayment reported on line 16, complete A and/or B: A <input type="checkbox"/> Credit to next year's tax ... \$ B <input type="checkbox"/> Refund ... \$	
Power of Attorney - Check Yes if this taxpayer's signature certifies that this tax preparer has the authority to execute this form on behalf of the taxpayer and is authorized to receive and inspect confidential tax information and to perform any and all acts relating to respective tax matters. <input type="checkbox"/> Yes	
Under penalties of perjury, I declare that I have examined this report, & to the best of my knowledge & belief, it is true, correct, & complete.	
Taxpayer's Signature _____ Date _____ Title _____ Tax Preparer's Signature _____ Preparer's SSN _____ Date _____ Telephone (706) 861-1497 Glenn Holloway, CPA P.O. Box 11568 Preparer's Address _____ City _____ TN 37401 State _____ ZIP Code _____	

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RV-R0011001

TNCZ0812L 12/27/00

17031500000000002000070120010630012000000000000199999999000000000003

**Schedule D – Schedule of Credits**

1	Gross premiums tax credit (cannot exceed Schedule C, line 8) .....	1	
2	Insurance company reduction (percentage of Schedule C, line 8, less Schedule D, line 1) .....	2	
3	Tennessee income tax (cannot exceed Schedule B, line 5) .....	3	
4	Day Care Credit from Schedule W, line 18/LIHTC from Schedule Y, line 3 .....	4	
5	Industrial Machinery Credit from Schedule T, line 11 .....	5	
6	Jobs Tax Credit from Schedule X, line 27 .....	6	
7	Total credit – Add lines 1 through 6 (enter here and on Schedule C, line 9) .....	7	

**Schedule E – Schedule of Payments**

1	Overpayment from previous year if available .....	1	
2	First quarterly estimated payment .....	2	
3	Second quarterly estimated payment .....	3	
4	Third quarterly estimated payment .....	4	
5	Fourth quarterly estimated payment .....	5	
6	Extension payment .....	6	
7	Total payments – Add lines 1 through 6 (enter here and on Schedule C, line 11) .....	7	

**Computation of Franchise Tax****Schedule F – Net Worth**

1	Net worth (total assets less total liabilities; exclude treasury stock) .....	1	-3,963,358
2	Indebtedness to or guaranteed by parent or affiliated corporation .....	2	
3	Deduct: Interest in another taxpayer doing business in Tennessee (attach schedule) .....	3	
4	Total lines 1 and 2 less line 3 .....	4	-3,963,358
5	Ratio (Schedules N, O, P, R, or S if applicable or 100%) .....	5	100.0000%
6	Total – Line 4 multiplied by line 5 (enter here and on Schedule A, line 1) .....	6	-3,963,358

**Schedule G – Determination of Real and Tangible Property**

Book Value of Property Owned – Cost less accumulated depreciation		In Tennessee	
1	Land .....	1	
2	Buildings, leaseholds, and improvements .....	2	
3	Machinery, equipment, furniture, and fixtures .....	3	7,121,601
4	Automobiles and trucks .....	4	
5	Prepaid supplies and other tangible personal property (attach schedule) .....	5	
6	Share of partnership real and tangible property provided that the partnership does not file a return (attach schedule) .....	6	
7	Inventories and work in progress .....	7	
7a	Deduct exempt inventory (Section 67–4–2108(a)(8)) .....	7a	
8	Deduct value of certified pollution control equipment (include copy of certificate (Section 67–5–604)) .....	8	
9	Subtotals – Add lines 1 through 7, less line 7a and line 8 .....	9	7,121,601
Rental Value of Property Used but not Owned		(C)	
Net annual rental paid for:			
10	Real property .....	(A) In Tennessee 103,186 x8 (A)	10 825,488
11	Machinery and equipment used in manufacturing and processing .....	x3	11
12	Furniture, office machinery, and equipment .....	x2	12
13	Delivery or mobile equipment .....	x1	13
14	Tennessee total – Add lines 9 – 13 (enter total here and on Schedule A, line 2) .....		14 7,947,089

**EPB Telecommunications  
Reporting Requirements  
Fiscal Year 2000**

**8. Federal Income Tax**

Federal Income Tax  
Documentation attached

\$ 0

Form 1120

## U. S. Corporation Income Tax Return

OMB No. 1545-0123

2000

For calendar year 2000 or tax year beginning 7/01/99, 2000, ending 6/30, 2001  
▶ Instructions are separate. See page 1 for Paperwork Reduction Act Notice.Department of the Treasury  
Internal Revenue Service

## A Check if a:

- 1 Consolidated return (attach Form 851) ☐  
2 Personal holding co. (attach Sch. PH) ☐  
3 Personal service corp. (as defined in Temporary Regs. sec. 1.441-4T- see instructions) ☐

Use  
IRS  
label.  
Other-  
wise,  
print  
or type.EPB - Telecommunications System  
PO Box 182255  
Chattanooga, TN 37422

## B Employer identification number

999999999

## C Date incorporated

## D Total assets (see page 8 of instructions)

\$ 7,157,790

E Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Change of address

	1c	
1a Gross receipts/sales	91,251	b Less returns & allowances
2 Cost of goods sold (Schedule A, line 8)		c Balance ▶
3 Gross profit. Subtract line 2 from line 1c	91,251	
4 Dividends (Schedule C, line 19)		
5 Interest		
6 Gross rents		
7 Gross royalties		
8 Capital gain net income (attach Schedule D (Form 1120))		
9 Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)		
10 Other income (see page 8 of instructions - attach schedule)		
11 Total income. Add lines 3 through 10	91,251	
12 Compensation of officers (Schedule E, line 4)		
13 Salaries and wages (less employment credits)		
14 Repairs and maintenance		
15 Bad debts		
16 Rents		
17 Taxes and licenses		
18 Interest		
19 Charitable contributions (see page 11 of instructions for 10% limitation)		
20 Depreciation (attach Form 4562)	252,897	
21 Less depreciation claimed on Schedule A and elsewhere on return		
22 Depletion		
23 Advertising		
24 Pension, profit-sharing, etc., plans		
25 Employee benefit programs		
26 Other deductions (attach schedule)	See Statement 1	
27 Total deductions. Add lines 12 through 26		
28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11		
29 Less: a Net operating loss (NOL) deduction (see page 13 of instrs.)		
b Special deductions (Schedule C, line 20)		
30 Taxable income. Subtract line 29c from line 28		
31 Total tax (Schedule J, line 11)		
32 Payments:		
a 1999 overpayment credited to 2000	32a	
b 2000 estimated tax payments	32b	
c Less 2000 refund applied for on Form 4466	32c	
d Bal ▶	32d	0
e Tax deposited with Form 7004	32e	
f Credit for tax paid on undistributed capital gains (attach Form 2439)	32f	
g Credit for Federal tax on fuels (attach Form 4136). See instructions	32g	
33 Estimated tax penalty (see page 14 of instructions). Check if Form 2220 is attached	32h	0
34 Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed	33	0
35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid	34	
36 Enter amount of line 35 you want: Credited to 2001 estimated tax ▶ Refunded ▶	35	
	36	

Sign  
Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature  
of officer

Date

Title

Paid  
Preparer's  
Use OnlyPreparer's  
signature

Date

Check if self-  
employed ☐

Preparer's SSN or PTIN

Firm's name (or  
yours if self-employed)  
address, and ZIP codeGlenn Holloway, CPA  
P.O. Box 11568  
Chattanooga, TN 37401EIN  
Phone no. (706) 861-1497

KFA

Answers to TRA Letter Dated 4/10/02

1. The General Allocator is a fraction with the expenses directly assigned and attributed to telecommunications services as the numerator and the sum of the expenses directly assigned and attributed to the telecommunications plus the expenses directly assigned and attributed to the electric utility services as the denominator. The cost of goods (specifically wholesale power and wholesale telecommunications services) shall be excluded from the calculation of the directly assigned and attributed expenses.

The General Allocator used in calculating the amount allocated to the Telecommunications Division for the Board of Directors and the Services of City of Chattanooga was calculated monthly based on the above formula.

2. The General Allocator used in calculating EPB Overhead is computed on a month by month basis. The General Allocator used was as follows:

July 1999	6.5%
August 1999	3.1%
September 1999	4.5%
October 1999	5.1%
November 1999	5.4%
December 1999	5.6%
January 2000	6.0%
February 2000	6.3%
March 2000	9.0%
April 2000	11.5%
May 2000	7.5%
June 2000	10.7%

3. There are 447 poles included in the \$34,990.68. The rental agreement is month to month indefinitely.
4. EPB Telecommunications Division utilized 9,900 duct feet of conduit.
5. EPB Telecommunications Division occupied 3,456 square feet for 7 months, 6046 square feet for 2 months and 8,093 square feet for the remaining 3 months. Yes, \$68,195.93 is for the entire year.

6. Corporate Accounting functions include Accounts Payable, Payroll, General Ledger and Plant Accounting. A breakdown of \$38,854.41 is as follows:

Accounts Payable	\$9,487.70
Payroll	\$4,517.95
General Ledger	\$18,071.82
Plant Accounting	<u>\$6,776.94</u>
Total Breakdown	<u>\$38,854.41</u>

7. The \$376.30 includes two phones. One mobile phone was used for 9 months, one land-line phone was used for 6 months.
8. A Listing of Telecommunications Employees is attached. Total salaries equal \$1,261,456.28 and are charged directly to the Telecommunications Division. Below is a breakdown of the employee benefits dollars.

Disability Insurance	\$8,033.88
Life Insurance	\$3,617.03
Sick Leave	\$7,502.68
401(k)	\$3,914.51
Postretirement	\$36,057.88
Pension	\$34,588.24
Health Insurance	\$64,962.22
Dental Insurance	<u>\$5,908.07</u>
Total Benefits	<u>\$164,584.51</u>

9. The following is a breakdown of the Information Technology Allocation.

Average Number of PC's	11
Labor Hours	1613
Mainframe Hours	45
PC	\$51,053.78
Labor	\$32,184.15
Mainframe	\$17,342.36
Total	\$100,580.29

10. Please see the attached Transaction Report by Center – Report 31003. Total Operations Expense less Depreciation equals \$2,789,000.

## LISTING OF TELECOMMUNICATIONS EMPLOYEES

EMP#	NAME
970	CHRISTOPHER BRANNON
950	EDWIN B KRAJESKY
966	JEREMY J GARRETT
794	GLYNN L LOCKHART
971	CRAIG T MERCER
541	GARY S OWENS
974	FRANK RODEN
972	JOHN C SEIFFERT
965	JIMMY L DOTSON
895	ROBERT W HAY III
984	ROBBIE W MOORE
963	DALE DONALDSON
969	MARILYN M PURSLEY
957	ANDREA L WILLIAMS
968	MICHAEL J CALLAHAN
958	DEBORAH LEE GEORGE
962	JEFFREY A GLASS
951	ELIZABETH HUNSUCKER
964	TODD W RODEN
988	LOUIS B SAVARD
967	MATTHEW K WHITAKER
349	KATHERINE J OWENS
934	WILLIAM E CHAPMAN JR
1005	GREGORY S HEWITT



## TELECOMMUNICATIONS

EXPENSES BY  
FCC ACCT #

TRANSACTION REPORT BY ACCOUNT

REPORT 31003

06/01/2000 THRU 06/30/2000

ISSUED 07/17/2000

PAGE 9

ACCOUNT 611004	NET. SUPP-OTHER EXPENSES																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																</
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## TELECOMMUNICATIONS

TRANSACTION REPORT BY ACCOUNT  
REPORT 31003

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ACCOUNT	651001	OTH. PROP. PLT. EQ-SAL. SWAGE	10,661.46	FCC TELECOM TRANSACTIONS
1500000073	921	06-30-2000	10	10,661.46
TOTAL	061001			10,661.46
ACCOUNT	651002	OTH. PROP. PLT. EQ-BENEFITS	1,936.35	11,774.27
1500000073	921	06-30-2000	10	1,936.35
TOTAL	061002			1,936.35
ACCOUNT	651004	OTH. PROP. PLT. EQ-OTH. EXP.	779.14	5,398.81
1500000073	921	06-30-2000	10	779.14
TOTAL	061004			779.14
ACCOUNT	653001	NET. OPERATIONS-SAL. & WAGES	26,132.24	246,584.56
1500000073	921	06-30-2000	10	26,132.24
TOTAL	063001			26,132.24
ACCOUNT	653002	NET. OPERATIONS-BENEFITS	4,746.19	50,845.30
1500000073	921	06-30-2000	10	4,746.19
TOTAL	063002			4,746.19
ACCOUNT	653004	NET. OPERATIONS-OTH. EXP.	28,798.51	163,988.69
1500000073	921	06-30-2000	10	28,798.51
TOTAL	063004			28,798.51
ACCOUNT	656001	DEPRECIATION	41,575.12	211,322.04
1500000073	921	06-30-2000	10	41,575.12
TOTAL	066001			41,575.12
ACCOUNT	661001	CUST. OPERAT.-SAL. & WAGES	44,187.51	295,366.45
1500000073	921	06-30-2000	10	44,187.51
TOTAL	061001			44,187.51
ACCOUNT	661002	CUST. OPERAT.-BENEFITS	58,644.22	BEGINNING BALANCE
1500000073	921	06-30-2000	10	58,644.22
TOTAL	061002			58,644.22



## TELECOMMUNICATIONS

TRANSACTION REPORT BY ACCOUNT  
REPORT 31003

06/01/2000 THRU 06/30/2000 ISSUED 07/17/2000

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SOURCE ACCOUNT	ENTER CODE	DATE CODE	DEBIT AMOUNT	CREDIT AMOUNT	BALANCE	DESCRIPTION
FCC TELECOM TRANSACTIONS						
ACCOUNT 661002	921	06-30-2000	10	8,025.42		
1500000073						
TOTAL 661002				8,025.42		
ACCOUNT 661004	921	06-30-2000	10	18,418.42		
1500000073						
TOTAL 661004				18,418.42		
ACCOUNT 662001	921	06-30-2000	10	39,718.27		
1500000073						
TOTAL 662001				39,718.27		
ACCOUNT 662002	921	06-30-2000	10	7,213.70		
1500000073						
TOTAL 662002				7,213.70		
ACCOUNT 662004	921	06-30-2000	10	33,441.81		
1500000073						
TOTAL 662004				33,441.81		
ACCOUNT 671001	921	06-30-2000	10	2,705.05		
1500000073						
TOTAL 671001				2,705.05		
ACCOUNT 671002	921	06-30-2000	10	491.30		
1500000073						
TOTAL 671002				491.30		
ACCOUNT 671004	921	06-30-2000	10	76.30		
1500000073						
TOTAL 671004				76.30		
ACCOUNT 672003	921	06-30-2000	10	3,706.21		
1500000073						
TOTAL 672003				3,706.21		
ACCOUNT 682001	921	06-30-2000	10	125,836.29		
1500000073						
TOTAL 682001				125,836.29		
ACCOUNT 682002	921	06-30-2000	10	24,789.61		
1500000073						
TOTAL 682002				24,789.61		
ACCOUNT 682004	921	06-30-2000	10	12,380.72		
1500000073						
TOTAL 682004				12,380.72		
ACCOUNT 682006	921	06-30-2000	10	196,817.13		
1500000073						
TOTAL 682006				196,817.13		
ACCOUNT 682008	921	06-30-2000	10	36,863.07		
1500000073						
TOTAL 682008				36,863.07		
ACCOUNT 682010	921	06-30-2000	10	3,706.21		
1500000073						
TOTAL 682010				3,706.21		
ACCOUNT 682012	921	06-30-2000	10	12,380.72		
1500000073						
TOTAL 682012				12,380.72		
ACCOUNT 682014	921	06-30-2000	10	196,817.13		
1500000073						
TOTAL 682014				196,817.13		
ACCOUNT 682016	921	06-30-2000	10	36,863.07		
1500000073						
TOTAL 682016				36,863.07		
ACCOUNT 682018	921	06-30-2000	10	3,706.21		
1500000073						
TOTAL 682018				3,706.21		
ACCOUNT 682020	921	06-30-2000	10	12,380.72		
1500000073						
TOTAL 682020				12,380.72		
ACCOUNT 682022	921	06-30-2000	10	196,817.13		
1500000073						
TOTAL 682022				196,817.13		
ACCOUNT 682024	921	06-30-2000	10	36,863.07		
1500000073						
TOTAL 682024				36,863.07		
ACCOUNT 682026	921	06-30-2000	10	3,706.21		
1500000073						
TOTAL 682026				3,706.21		
ACCOUNT 682028	921	06-30-2000	10	12,380.72		
1500000073						
TOTAL 682028				12,380.72		
ACCOUNT 682030	921	06-30-2000	10	196,817.13		
1500000073						
TOTAL 682030				196,817.13		
ACCOUNT 682032	921	06-30-2000	10	36,863.07		
1500000073						
TOTAL 682032				36,863.07		
ACCOUNT 682034	921	06-30-2000	10	3,706.21		
1500000073						
TOTAL 682034				3,706.21		
ACCOUNT 682036	921	06-30-2000	10	12,380.72		
1500000073						
TOTAL 682036				12,380.72		
ACCOUNT 682038	921	06-30-2000	10	196,817.13		
1500000073						
TOTAL 682038				196,817.13		
ACCOUNT 682040	921	06-30-2000	10	36,863.07		
1500000073						
TOTAL 682040				36,863.07		
ACCOUNT 682042	921	06-30-2000	10	3,706.21		
1500000073						
TOTAL 682042				3,706.21		
ACCOUNT 682044	921	06-30-2000	10	12,380.72		
1500000073						
TOTAL 682044				12,380.72		
ACCOUNT 682046	921	06-30-2000	10	196,817.13		
1500000073						
TOTAL 682046				196,817.13		
ACCOUNT 682048	921	06-30-2000	10	36,863.07		
1500000073						
TOTAL 682048				36,863.07		
ACCOUNT 682050	921	06-30-2000	10	3,706.21		
1500000073						
TOTAL 682050				3,706.21		
ACCOUNT 682052	921	06-30-2000	10	12,380.72		
1500000073						
TOTAL 682052				12,380.72		
ACCOUNT 682054	921	06-30-2000	10	196,817.13		
1500000073						
TOTAL 682054				196,817.13		
ACCOUNT 682056	921	06-30-2000	10	36,863.07		
1500000073						
TOTAL 682056				36,863.07		
ACCOUNT 682058	921	06-30-2000	10	3,706.21		
1500000073						
TOTAL 682058				3,706.21		
ACCOUNT 682060	921	06-30-2000	10	12,380.72		
1500000073						
TOTAL 682060				12,380.72		
ACCOUNT 682062	921	06-30-2000	10	196,817.13		
1500000073						
TOTAL 682062				196,817.13		
ACCOUNT 682064	921	06-30-2000	10	36,863.07		
1500000073						
TOTAL 682064				36,863.07		
ACCOUNT 682066	921	06-30-2000	10	3,706.21		
1500000073						
TOTAL 682066				3,706.21		
ACCOUNT 682068	921	06-30-2000	10	12,380.72		
1500000073						
TOTAL 682068				12,380.72		
ACCOUNT 682070	921	06-30-2000	10	196,817.13		
1500000073						
TOTAL 682070				196,817.13		
ACCOUNT 682072	921	06-30-2000	10	36,863.07		
1500000073						
TOTAL 682072				36,863.07		
ACCOUNT 682074	921	06-30-2000	10	3,706.21		
1500000073						
TOTAL 682074				3,706.21		
ACCOUNT 682076	921	06-30-2000	10	12,380.72		
1500000073						
TOTAL 682076				12,380.72		
ACCOUNT 682078	921	06-30-2000	10	196,817.13		
1500000073						
TOTAL 682078				196,817.13		
ACCOUNT 682080	921	06-30-2000	10	36,863.07		
1500000073						
TOTAL 682080				36,863.07		
ACCOUNT 682082	921	06-30-2000	10	3,706.21		
1500000073						
TOTAL 682082				3,706.21		
ACCOUNT 682084	921	06-30-2000	10	12,380.72		
1500000073						
TOTAL 682084				12,380.72		
ACCOUNT 682086	921	06-30-2000	10	196,817.13		
1500000073						
TOTAL 682086				196,817.13		
ACCOUNT 682088	921	06-30-2000	10	36,863.07		
1500000073						
TOTAL 682088				36,863.07		
ACCOUNT 682090	921	06-30-2000	10	3,706.21		
1500000073						
TOTAL 682090				3,706.21		
ACCOUNT 682092	921	06-30-2000	10	12,380.72		
1500000073						
TOTAL 682092				12,380.72		
ACCOUNT 682094	921	06-30-2000	10	196,817.13		
1500000073						
TOTAL 682094				196,817.13		
ACCOUNT 682096	921	06-30-2000	10	36,863.07		
1500000073						
TOTAL 682096				36,863.07		
ACCOUNT 682098	921	06-30-2000	10	3,706.21		
1500000073						
TOTAL 682098				3,706.21		
ACCOUNT 682100	921	06-30-2000	10	12,380.72		
1500000073						
TOTAL 682100				12,380.72		
ACCOUNT 682102	921	06-30-2000	10	196,817.13		
1500000073						
TOTAL 682102				196,817.13		
ACCOUNT 682104	921	06-30-2000	10	36,863.07		
1500000073						
TOTAL 682104				36,863.07		
ACCOUNT 682106	921	06-30-2000	10	3,706.21		
1500000073						
TOTAL 682106				3,706.21		
ACCOUNT 682108	921	06-30-2000	10	12,380.72		
1500000073						
TOTAL 682108				12,380.72		
ACCOUNT 682110	921	06-30-2000	10	196,817.13		
1500000073						
TOTAL 682110				196,817.13		
ACCOUNT 682112	921	06-30-2000	10	36,863.07		
1500000073						
TOTAL 682112				36,863.07		
ACCOUNT 682114	921	06-30-2000	10	3,706.21		
1500000073						
TOTAL 682114				3,706.21		
ACCOUNT 682116	921	06-30-2000	10	12,380.72		
1500000073						
TOTAL 682116				12,380.72		
ACCOUNT 682118	921	06-30-2000	10	196,817.13		
1500000073						
TOTAL 682118				196,817.13		
ACCOUNT 682120	921	06-30-2000	10	36,863.07		
1500000073						
TOTAL 682120				36,863.07		
ACCOUNT 682122	921	06-30-2000	10	3,706.21		
1500000073						
TOTAL 682122				3,706.21		
ACCOUNT 682124	921	06-30-2000	10	12,380.72		
1500000073						
TOTAL 682124				12,380.72		
ACCOUNT 682126	921	06-30-2000	10	196,817.13		
1500000073						
TOTAL 682126				196,817.13		
ACCOUNT 682128	921	06-30-2000	10	36,863.07		
1500000073						
TOTAL 682128				36,863.07		

SUB-ACCOUNT	DEBIT	CREDIT	BALANCE	DESCRIPTION
CODE	NUMBER	DATE	CODE	

ACCOUNT 672003 GEN. & ADMIN-RENTS  
1500000073 921 06-30-2000 10

900.00

500.00

FCC TELECOM TRANSACTIONS

TOTAL 6/2000

900.00

500.00

FCC TELECOM TRANSACTIONS

TOTAL 6/2000

900.00

500.00

FCC TELECOM TRANSACTIONS

ACCOUNT 672004 GEN. & ADMIN-OTH. EXPENSE  
1500000073 921 06-30-2000 10

86,575.91

681,617.33

BEGINNING BALANCE

FCC TELECOM TRANSACTIONS

TOTAL 6/2000

86,575.91

681,617.33

BEGINNING BALANCE

FCC TELECOM TRANSACTIONS

TOTAL 6/2000

86,575.91

681,617.33

BEGINNING BALANCE

FCC TELECOM TRANSACTIONS

TOTAL PLANT SPECIFIC EXPENSE

426,235.06

\*

3,042,566.95

ENDING BALANCE

TOTAL OPERATIONS EXPENSE

26,235.06

3,042,566.95

ENDING BALANCE

OPERATION EXPENSES (INCL. DEPR.)

DEPRECIATION

\*

3,042,000.00+

253,000.00-

OPERATION EXPENSE - ANNUAL REPORT

2,789,000.00\*

**EPB Telecommunications  
Reporting Requirements  
Fiscal Year 2001**

**INDEX**

- a. The name and address of all affiliated divisions.
- b. All contracts entered into with affiliated divisions or entity, and all transactions undertaken with any affiliates without a written contract
- c. The amount of affiliate transactions by affiliate by account charged
- d. The basis used to record affiliate transactions
- e. Total costs allocated or charged back to each division
- f. Updates of the allocation factors used to allocate costs between the electric system and the telecommunications division
- g. EPB's audited financial data for the electric system and for the telecommunications division and on a consolidated basis
- h. A computation of all tax allocations for regulatory purposes as follows:
  - 1. Property taxes
  - 2. Sales taxes
  - 3. Other State and Local Taxes
  - 4. Federal Income Tax

**EPB Telecommunications  
Reporting Requirements  
Fiscal Year 2001**

**a. The name and address of all affiliated divisions.**

EPB Electric System  
P. O. Box 182255  
Chattanooga, TN 37422

**b. All contracts entered into with affiliated divisions or entity, and all transactions undertaken with any affiliates without a written contract**

**Contracts:**

Revolving Line of Credit Note to EPB for amounts advanced by the electric system to the Telecommunications Division up to \$22,000,000

**Non-Contracts transactions:**

Electric service provided to telecommunications facilities

**c. The amount of affiliate transactions by affiliate by account charged**

1. Loan advanced from EPB to the Telecommunications Division: \$ 17,601,605
2. Interest expense on loan from EPB: \$ 1,250,114
3. Electric service to free-standing Telecommunications facilities: \$ 1,075

**d. The basis used to record affiliate transactions**

1. Loan advanced from EPB to the Telecommunications Division  
Basis: cash value
2. Interest expense on loan from EPB  
Basis: highest of prime rate published in *Wall Street Journal*, or earned on invested electric funds
3. Electric service to free-standing Telecommunications facilities  
Basis: TVA published rates, commercial classification

**EPB Telecommunications  
Reporting Requirements  
Fiscal Year 2001**

**e. Total costs allocated or charged back to each division**

**Total Allocations to Telecommunications -  
FY 2001**

<b>Expenses</b>	<b>Amount FY 2001</b>
Information Technology	24,516.00
Rental – Poles	54,465.68
Building Rental	111,683.40
Corporate Accounting	38,977.32
Annual Audit & Report	24,000.00
Payroll Benefits	197,851.98
EPB Overhead	161,395.91
Telephone Services	258.99
Board of Directors	1,218.68
Services of City of Chattanooga	609.34
	<u>614,977.30</u>

**EPB Telecommunications  
Reporting Requirements  
Fiscal Year 2001**

**f. Updates of the allocation factors used to allocate costs between the electric system and the telecommunications division**

1. Information Technology – Allocated based on the budgeted number of Telecommunications PC's and budgeted IT Labor.
2. Rental – Poles - Based on actual number of poles used, their location, and number of feet of conduit used. The dollar charge is the highest EPB charges any outside party for comparable pole attachments.
3. Building Rental – Allocated based on square footage occupied by Telecommunications.
4. Corporate Accounting - Allocated on analysis of accounting function performed by each employee.
5. Annual Audit & Report – Allocated based on the estimated annual audit and annual report.
6. Payroll Benefits – Pension, Post-retirement, Life, Disability, & Workers Comp Insurance, Misc. Employee Benefits allocated based on a payroll ratio calculated using total labor dollars.

Health Insurance – Allocated based on the type of insurance policy taken out by each employee.

Dental Insurance - Allocated based on the number of employees.

7. EPB Overhead – Management and administrative personnel including Human Resources. Allocated based on the General Allocator.

Insurance covering Liability, Property, Comprehensive Dishonesty, General Liability, Auto Liability, Directors & Officers Liability, and Umbrella Excess Liability. Allocated based on the number of employees.

8. Telephones – Allocated based on actual number of phones used by Telecommunications. (Most telecommunications' phones are direct charges, not allocated).
9. Board of Directors – Allocated based on general allocator.
10. Services of City of Chattanooga – Allocated based on general allocator.



**EPB Telecommunications  
Reporting Requirements  
Fiscal Year 2001**

- g. EPB's audited financial data for the electric system and for the telecommunications division and on a consolidated basis
- h. A computation of all tax allocations for regulatory purposes as follows:

**1. Property taxes**

TAXING DISTRICT	JUNE 30, 2000 NET BOOK VALUE	ASSESSMENT RATIO	2000 TAX RATE	2000 EQUALIZATION RATIO	TAX
CHATTANOOGA	\$ 7,121,601.26	0.55	2.3100	0.8846	\$ 80,038.56
HAMILTON COUNTY	7,121,601.26	0.55	3.5190	0.8846	121,928.87
Total Property Tax	\$ 14,243,202.52				<u>\$ 201,967.43</u>

**2. Sales taxes**

Capital expenditures	\$ 4,392,631
Material Expenses	<u>103,362</u>
Total	<u>\$ 4,495,993</u>

@ 6.00% State \$ 269,760

Capital expenditures	\$ 4,392,631
Material Expenses	<u>103,362</u>
Total	<u>\$ 4,495,993</u>
Less: Single Article	<u>1,708,055</u>
	<u>\$ 2,787,938</u>

@ 2.25% State \$ 62,729

Total Sales Tax \$ 332,489

**EPB Telecommunications**  
**Reporting Requirements**  
**Fiscal Year 2001**

**3. Other State and Local Taxes**

**Privilege Tax**

Gross Receipts	\$ 2,126,393
Less: Exempt	<u>5,000</u>
	\$ 2,121,393

@ Privilege Tax rate	<u>3%</u>
Privilege Tax	\$ 63,642
Credit for Franchise & Excise	<u>30,189</u>
Net Privilege Tax	<u><u>\$ 33,453</u></u>

**Franchise, Excise Tax**

Franchise, Excise Tax (calculation attached)	<u><u>\$ 30,189</u></u>
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**4. Federal Income Tax**

Federal Income Tax Documentation attached	<u><u>\$ 0</u></u>
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**Tennessee Department of Revenue  
Franchise, Excise Tax Return**

**FAE**  
**170**  
1032

<b>Taxable Year</b> Beginning: 7/01/00 Ending: 6/30/01	<b>Account No.</b> 000000000000 <b>Due Date</b> 10/15/2001	<b>FEIN or SSN</b> 999999999		
<b>Check appropriate block(s):</b> <table style="width:100%;"> <tr> <td style="width:50%;"> <b>a</b> <input checked="" type="checkbox"/> Tennessee domestic corporation  <b>b</b> <input type="checkbox"/> Foreign corporation  <b>c</b> <input type="checkbox"/> S corporation  <b>d</b> <input type="checkbox"/> Insurance company  <b>e</b> <input type="checkbox"/> LLC  <b>f</b> <input type="checkbox"/> PLLC  <b>g</b> <input type="checkbox"/> Single member LLC/individual  <b>h</b> <input type="checkbox"/> Single member LLC/corporation  <b>i</b> <input type="checkbox"/> Single member LLC/general partnership           </td> <td style="width:50%;"> <b>j</b> Single member LLC/division of parent (see instructions)  <b>k</b> <input type="checkbox"/> LP  <b>l</b> <input type="checkbox"/> LLP  <b>m</b> <input type="checkbox"/> RLLP  <b>n</b> <input type="checkbox"/> PRLLP  <b>o</b> <input type="checkbox"/> Business trust  <b>p</b> <input type="checkbox"/> Not-for-profit  <b>q</b> <input type="checkbox"/> Other           </td> </tr> </table>		<b>a</b> <input checked="" type="checkbox"/> Tennessee domestic corporation <b>b</b> <input type="checkbox"/> Foreign corporation <b>c</b> <input type="checkbox"/> S corporation <b>d</b> <input type="checkbox"/> Insurance company <b>e</b> <input type="checkbox"/> LLC <b>f</b> <input type="checkbox"/> PLLC <b>g</b> <input type="checkbox"/> Single member LLC/individual <b>h</b> <input type="checkbox"/> Single member LLC/corporation <b>i</b> <input type="checkbox"/> Single member LLC/general partnership	<b>j</b> Single member LLC/division of parent (see instructions) <b>k</b> <input type="checkbox"/> LP <b>l</b> <input type="checkbox"/> LLP <b>m</b> <input type="checkbox"/> RLLP <b>n</b> <input type="checkbox"/> PRLLP <b>o</b> <input type="checkbox"/> Business trust <b>p</b> <input type="checkbox"/> Not-for-profit <b>q</b> <input type="checkbox"/> Other	If this is an amended return, please check the box at right. <input type="checkbox"/>  If the taxpayer is inactive in Tennessee, please check the box at right. <input type="checkbox"/>  If this is a final return for termination or withdrawal, please check box at right. <input type="checkbox"/>  If the payment for this return was sent via EFT, please check the box at right. <input type="checkbox"/>  If the taxpayer is a member of a consolidated group, please check the box at right. <input type="checkbox"/>  If the taxpayer is a member of a partnership operating in Tennessee, please check the box at right. <input type="checkbox"/>
<b>a</b> <input checked="" type="checkbox"/> Tennessee domestic corporation <b>b</b> <input type="checkbox"/> Foreign corporation <b>c</b> <input type="checkbox"/> S corporation <b>d</b> <input type="checkbox"/> Insurance company <b>e</b> <input type="checkbox"/> LLC <b>f</b> <input type="checkbox"/> PLLC <b>g</b> <input type="checkbox"/> Single member LLC/individual <b>h</b> <input type="checkbox"/> Single member LLC/corporation <b>i</b> <input type="checkbox"/> Single member LLC/general partnership	<b>j</b> Single member LLC/division of parent (see instructions) <b>k</b> <input type="checkbox"/> LP <b>l</b> <input type="checkbox"/> LLP <b>m</b> <input type="checkbox"/> RLLP <b>n</b> <input type="checkbox"/> PRLLP <b>o</b> <input type="checkbox"/> Business trust <b>p</b> <input type="checkbox"/> Not-for-profit <b>q</b> <input type="checkbox"/> Other			

Taxpayer Name and Mailing Address	
Name	EPB - Telecommunications System
Box (street)	PO Box 182255
City	Chattanooga
State	TN
ZIP Code	37422

Enter the principal business activity code (NAICS) listed in federal IRC instructions that best describes the principal business activity in Tennessee.

513300

Date Tennessee Operations Began

If you use a paid preparer and do not want forms mailed to you next year, check box at right. ☒ X

**Schedule A - Computation of Franchise Tax**

1 Total net worth from Schedule J, line 6.	1	-7,769,788
2 Total real and tangible personal property from Schedule G, line 11.	2	12,075,596
3 Franchise tax (25cent per \$100.00 or major fraction thereof on the greater of lines 1 or 2; minimum \$100.00)	3	30,189

**Schedule B - Computation of Excise Tax**

4 Income subject to excise tax from Schedule J, line 30.	4	-7,769,788
5 Excise tax (6% of line 4).	5	0
6 Add: Recapture of excise tax credit from Schedule T, Part 2.	6	
7 Net excise tax due (line 5 plus line 6)	7	0

**Schedule C - Computation of Total Tax Due or Overpayment**

8 Total franchise and excise taxes - Add lines 3 and 7.	8	30,189
9 Deduct: Total credit from Schedule D, line 7 (cannot exceed line 8)	9	
10 Subtotal: Line 8 less line 9 (if line 9 exceeds line 8, enter 0 here).	10	30,189
11 Deduct: Total payments from Schedule E, line 7	11	
12 Penalty (5% for each 30-day period of delinquency not to exceed 25%; minimum penalty is \$15)	12	
13 Interest ( % per annum on taxes unpaid by the due date)	13	
14 Penalty on estimated franchise, excise tax payments.	14	5,736
15 Interest on estimated franchise, excise tax payments. See Worksheet	15	
16 Total amount due (overpayment) - Add lines 10, 12, 13, 14, and 15, less line 11	16	35,925

If overpayment reported on line 16, complete A and/or B:

A ☐ Credit to next year's tax ... \$ B ☐ Refund ... \$

Power of Attorney - Check Yes if this taxpayer's signature certifies that this tax preparer has the authority to execute this form on behalf of the taxpayer and is authorized to receive and inspect confidential tax information and to perform any and all acts relating to respective tax matters. ☐ Yes

Under penalties of perjury, I declare that I have examined this report, & to the best of my knowledge & belief, it is true, correct, & complete.

Taxpayer's Signature	Date	Title
Tax Preparer's Signature Glenn Holloway, CPA P.O. Box 11568	Preparer's SSN	Telephone (706) 861-1497
Preparer's Address	City Chattanooga	TN State 37401 ZIP Code

For Office Use Only

RV-R0011001

TNCZ0812L 12/27/00

170315000000000200007012001063001200000000000019999999900000000003

**Schedule D – Schedule of Credits**

Gross premiums tax credit (cannot exceed Schedule C, line 8) .....	1		
Insurance company reduction (percentage of Schedule C, line 8, less Schedule D, line 1) .....	2		
Tennessee income tax (cannot exceed Schedule B, line 5) .....	3		
Day Care Credit from Schedule W, line 18/LIHTC from Schedule Y, line 3 .....	4		
Industrial Machinery Credit from Schedule T, line 11 .....	5		
Jobs Tax Credit from Schedule X, line 27 .....	6		
Total credit – Add lines 1 through 6 (enter here and on Schedule C, line 9) .....	7		

**Schedule E – Schedule of Payments**

Overpayment from previous year if available .....	1		
First quarterly estimated payment .....	2		
Second quarterly estimated payment .....	3		
Third quarterly estimated payment .....	4		
Fourth quarterly estimated payment .....	5		
Extension payment .....	6		
Total payments – Add lines 1 through 6 (enter here and on Schedule C, line 11) .....	7		

**Computation of Franchise Tax****Schedule F – Net Worth**

1 Net worth (total assets less total liabilities; exclude treasury stock) .....	1	-7,769,788
2 Indebtedness to or guaranteed by parent or affiliated corporation .....	2	
3 Deduct: Interest in another taxpayer doing business in Tennessee (attach schedule) .....	3	
4 Total lines 1 and 2 less line 3 .....	4	-7,769,788
5 Ratio (Schedules N, O, P, R, or S if applicable or 100%) .....	5	100.0000%
6 Total – Line 4 multiplied by line 5 (enter here and on Schedule A, line 1) .....	6	-7,769,788

**Schedule G – Determination of Real and Tangible Property**

Book Value of Property Owned – Cost less accumulated depreciation		In Tennessee	
1 Land .....	1		
2 Buildings, leaseholds, and improvements .....	2		
3 Machinery, equipment, furniture, and fixtures .....	3	10,746,404	
4 Automobiles and trucks .....	4		
5 Prepaid supplies and other tangible personal property (attach schedule) .....	5		
6 Share of partnership real and tangible property provided that the partnership does not file a return (attach schedule) .....	6		
7 Inventories and work in progress .....	7		
8 Deduct exempt inventory (Section 67-4-2108(a)(8)) .....	7a		
9 Deduct value of certified pollution control equipment (include copy of certificate (Section 67-5-604)) .....	8		
9 Subtotals – Add lines 1 through 7, less line 7a and line 8 .....	9	10,746,404	
Rental Value of Property Used but not Owned		(C)	
Net annual rental paid for:			
10 Real property .....	(A) In Tennessee	(B)	10
11 Machinery and equipment used in manufacturing and processing .....	166,149	x8 <sup>A</sup>	11
12 Furniture, office machinery, and equipment .....		x3	12
13 Delivery or mobile equipment .....		x2	13
14 Tennessee total – Add lines 9 – 13 (enter total here and on Schedule A, line 2) .....		x1	14
			12,075,596

Information for TRA Letter for Fiscal Year 2001

1. The General Allocator is a fraction with the expenses directly assigned and attributed to telecommunications services as the numerator and the sum of the expenses directly assigned and attributed to the telecommunications plus the expenses directly assigned and attributed to the electric utility services as the denominator. The cost of goods (specifically wholesale power and wholesale telecommunications services) shall be excluded from the calculation of the directly assigned and attributed expenses.

The General Allocator used in calculating the amount allocated to the Telecommunications Division for the Board of Directors and the Services of City of Chattanooga was calculated monthly based on the above formula.

2. The General Allocator used in calculating EPB Overhead is computed on a month by month basis. The General Allocator used was as follows:

July 2000	9.9%
August 2000	10.1%
September 2000	8.5%
October 2000	8.8%
November 2000	9.4%
December 2000	10.5%
January 2001	10.5%
February 2001	10.7%
March 2001	12.6%
April 2001	12.4%
May 2001	14.0%
June 2001	12.5%

3. There are 937 poles included in the \$54,465.68. The rental agreement is month to month indefinitely.
4. EPB Telecommunications Division utilized 9,900 duct feet of conduit.
5. EPB Telecommunications Division occupied 8,093 square feet for 12 months. Yes, \$111,683.40 is for the entire year.

6. Corporate Accounting functions include Accounts Payable, Payroll, General Ledger and Plant Accounting. A breakdown of \$38,977.32 is as follows:

Accounts Payable	\$9,517.72
Payroll	\$4,532.25
General Ledger	\$18,128.98
Plant Accounting	<u>\$6,798.37</u>
Total Breakdown	<u>\$38,977.32</u>

7. The \$258.99 includes one land-line phone for 12 months. Most of telecommunications' phone charges are direct, not allocated.

8. A Listing of Telecommunications Employees is attached. Total salaries equal \$1,620,028.24 and are charged directly to the Telecommunications Division. Below is a breakdown of the employee benefits dollars.

Disability Insurance	\$7,623.16
Life Insurance	\$1,262.07
Sick Leave	\$12,334.11
401(k)	\$16,687.04
Postretirement	\$27,020.84
Pension	\$28,691.97
Health Insurance	\$89,583.15
Dental Insurance	\$8,506.32
Worker's Comp	<u>\$6,137.32</u>
Total Benefits	<u>\$197,851.98</u>

9. The following is a breakdown of the Information Technology Allocation.

Budgeted # of PC's	26
Total Budgeted EPB PC's	317
Percent	8.20%
Budgeted IT Labor	\$298,944
Labor	\$24,516.00

10. Please see the attached EPB Telecommunications System "Operating Revenues, Operating Expenses & Other Deductions."

## LISTING OF TELECOMMUNICATIONS EMPLOYEES

EMP#	NAME
1061	Sharolynn Harper
950	Edwin Krajesky
1017	John Purcell
972	John Seiffert
966	Jeremy Garrett
1032	Kenneth Jones
794	Glynn Lockhart
1059	Stacey Massengale
971	Craig Mercer
541	Gary Scott Owens
1054	Mark Payne
974	Frank Roden
1074	Leslie Blair Brown
965	Jimmy Dotson
895	Robert Hay III
984	Robbie Moore
963	Dale Donaldson
1110	Valerie Lucas
969	Marilyn Pursley
957	Andrea Williams
958	Deborah Lee George
962	Jeffrey Glass
951	Elizabeth Hunsucker
1038	Stacy Keith
1041	Ann King
1108	Sherry Peace
964	Todd Rowden
988	Louis Savard
1012	Catherine Vreeland
967	Matthew Whitaker
1083	Misty Frizzell
1005	Gregory Hewitt
349	Katherine Joan Owens
934	William Chapman



EPB TELECOMMUNICATIONS SYSTEM  
OPERATING EXPENSES & OTHER DEDUCTIONS  
JULY 2000 - JUNE 2001

Page 1 of 2

GI Acct #	GI Description	GI Curr	GI Qtr Td	GI Ytd
106120.151	NETWRK OP-OCCUPANCY CST	0	0	29,259.45
106530.030	GEN.MGT-OS LAB	105.5	316.5	4,304.50
106530.040	GEN.MGT-MATERIAL&SUPPL	0	0	127.7
106530.180	NET.OPER-MGT-TELEPHONE	0	0	243.41
106530.199	GEN.MGT-GENERAL EXPENSE	0	0	132.41
106531.152	NETWORK OPS-INTER TRUNK	14,741.66	47,878.39	95,755.85
106531.153	NETWORK OPS-UNE-P	85,503.04	234,560.51	453,582.83
106531.154	NETWORK OPS-SWITCH FEES	14,939.92	25,459.72	72,015.20
106531.155	NETWORK OPS-GEN EXP	6,288.37	16,980.43	49,371.79
106531.157	NETWORK OPS-LONG DST EX	15,485.51	49,038.40	129,992.05
116120.151	SWITCH.OP-OCCUPANCYCOST	3,251.05	9,753.15	9,753.15
116210.020	SWITCH.OP-SALARY&WAGES	20,781.13	64,713.49	222,242.12
116210.021	SWITC OP-S&W-OT-PLANNED	174.83	500.83	500.83
116210.040	SWITCH.OP-MATERIAL&SUPP	883.05	1,203.78	5,970.67
116210.111	SWITCH.OP-TRAINING	0	4,814.02	8,789.02
116210.112	SWITCH.OP-TRAVFL	982.46	3,194.23	5,440.04
116210.130	SWITCH OP.-MSC EMPL BEN	-1,073.39	-1,050.30	2,987.45
116210.140	SWITCH.OP-CONSULTING	0	400	12,662.50
116210.180	NET.OP-SWITCH-TELEPHONE	581.44	2,281.35	7,877.27
116210.184	SWITCH.OP-LIC.&SOFTWARE	9	4,009.00	4,009.00
116210.199	SWITCH.OP-GENERAL EXP.	8,904.51	8,904.51	14,518.30
126110.360	FIELD SERVICE-VEHICLES	0	0	7,474.10
126410.020	FIELD SVC.-SAL.&WAGES	-259,016.71	-194,077.73	82,221.02
126410.021	FLD SVC-S&W-OT-PLANNED	4,118.17	9,846.67	9,846.67
126410.030	FIELD SVC-O/S CONTR.	-2,080.50	-1,330.00	0
126410.040	FIELD SVC-MAT&SUPPLIES	1,167.10	5,672.80	19,061.32
126410.044	FIELD SVC-INSTL.EXP.	0	0	1,671.64
126410.111	FIELD SVC-TRAINING	-3,100.00	-1,125.00	525.8
126410.112	FIELD SVC-TRAVEL	34.57	1,199.15	1,528.35
126410.140	FIELD SVC-CONSULTING	0	0	35
126410.150	FIELD SVC-POLE ATT&RTS	4,007.01	12,021.03	54,465.68
126410.180	NET.OP-FIELD-TELEPHONE	1,592.99	3,043.49	6,369.42
126410.199	FIELD SVC-GENERAL EXP.	12,313.46	12,505.44	12,505.44
126410.360	FIELD SVC.SAL&WAGES TRA	800	5,038.65	5,038.65
136530.020	ENG-SALARY & WAGES	-108,606.79	-66,881.00	67,536.35
136530.021	ENG-S&W-OT-PLANNED	227.38	976.69	976.69
136530.030	ENG-OUTSIDE LABOR	-46,184.08	-32,624.88	0
136530.040	ENG-MAT&SUPPLIES	2,558.44	4,458.15	22,092.29
136530.111	ENGINEERING-TRAINING	0	1,648.35	6,846.20
136530.112	ENGINEERING-TRAVEL	433.02	1,165.40	3,399.90
136530.180	GEN.OP-ENG-TELEPHONE	466.09	956.46	2,295.73
136530.199	ENG-GENERAL EXP	6,438.99	6,648.07	6,876.99
146510.020	CUST PROV-SAL&WAGES	10,899.87	32,445.09	130,066.61
146510.021	CUST PROV-S&W-OT-PLNED	123.93	1,827.21	1,827.21
146510.030	CUST PROV-OS LABOR	0	526.4	526.4
146510.111	CUST PROV-TRAINING	0	0	1,193.30
146510.112	CUST PROV-TRAVEL	0	1,007.00	4,918.54
146510.180	GEN.OP-CUST.-TELEPHONE	68.49	133.52	531.95
146510.199	CUST PROV-GENERAL EXP	4,341.09	4,371.09	4,397.09
146620.184	LIC FEE & SOFTWARE	2,400.00	7,200.00	11,163.00
206610.020	SALES&MKTG-SALARY&WAGES	40,545.07	125,403.86	524,519.02
206610.023	SALES&MKTG-COMMISSIONS	33,669.11	96,997.36	300,019.65

EPB TELECOMMUNICATIONS SYSTEM  
OPERATING EXPENSES & OTHER DEDUCTIONS  
JULY 2000 - JUNE 2001

Page 2 of 2

206610.040	SALES&MKTG-MATERIAL&SUP	4,091.08	8,541.42	45,524.78
206610.111	SALES&MKTG-TRAINING	570.69	598	1,545.00
206610.112	SALES&MKTG-TRAVEL	2,720.38	6,627.61	22,885.20
206610.140	SALES&MKTG-CONSULTING	0	307.9	711.35
206610.160	SALES&MKTG-ADVERTISING	7,241.50	15,224.63	53,620.00
206610.161	SALES&MKTG-PROMOTIONS	0	2,719.50	2,719.50
206610.169	SALES&MKTG-MKTG INCENT.	2,293.95	-425.55	2,293.95
206610.180	SALES&MKTG-TELEPHONE	2,421.77	3,993.65	13,734.51
206610.199	SALES&MKTG-GENERAL EXP	17,440.14	21,395.14	29,248.79
306620.020	CUST.OPER-SALARY&WAGES	9,948.75	20,241.16	63,216.98
306620.021	CUST OPER-S&W-OT-PLNED	761.12	2,036.28	2,036.28
306620.030	CUST OPER-OS LABOR	75	7,930.11	28,201.46
306620.040	CUST.OPER-MAT.&SUPPLIES	0	427.72	698.34
306620.140	CUST.OPER-CONSULTING	0	1,020.00	22,551.27
306620.169	CUST OPS-MKTG INCENTIVE	448	2,424.00	2,424.00
306620.180	CUSTOMER OPS-TELEPHONE	25.91	92.54	224.17
306620.184	CUST.OPER-LIC.FEE&SFTWR	3,779.39	11,338.77	40,945.55
306620.199	CUST.OPER-GENERAL EXP.	2,672.95	3,331.32	4,884.46
306623.180	CUST OP-CUST CARE PHONE	0	303.25	2,238.04
906120.151	ADMIN-OCCUPANCY COSTS	6,055.90	18,167.70	72,670.80
906710.020	EXECUTIVE-SALARY&WAGES	11,729.65	42,359.55	154,929.27
906720.020	ADMIN-SALARY & WAGES	0	10,241.57	60,089.54
906720.040	ADMIN-MATERIAL&SUPPLIES	698.69	2,977.01	9,886.91
906720.111	ADMIN-TRAINING	0	9.7	1,441.85
906720.112	ADMIN-TRAVEL	85.9	420.64	4,844.75
906720.120	ADMIN-EMPL.HLTH.INSUR.	-38,914.63	-6,114.64	98,089.47
906720.121	ADMIN-EMPL.INSUR-OTHER	-3,779.17	475.44	15,022.55
906720.125	ADMIN-PENSION BENEFITS	-7,300.66	-1,014.66	28,691.97
906720.126	ADMIN-POSTRET. BENEFITS	-6,765.57	-621.57	27,026.84
906720.127	ADMIN-401K RET.SAV.PLAN	-2,894.47	1,897.27	16,687.04
906720.130	ADMIN-MISC.EMPL.BENEFIT	-27,471.95	3,581.95	109,777.59
906720.140	ADMIN-CONSULTING	3,852.50	8,700.09	75,217.48
906720.141	ADMIN-LEGAL FEES	4,540.00	6,418.00	14,003.00
906720.180	ADMIN-TELEPHONE EXP.	684.87	865.7	2,139.64
906720.183	ADMIN-COMP&OFC EQP MTC	158.95	693.69	1,058.87
906720.190	ADMIN-PROPERTY INSURANC	1,203.55	3,552.07	12,357.46
906720.191	ADMIN-LIABILITY INSURAN	1,203.56	3,552.07	12,357.45
906720.199	ADMIN-GENERAL EXPENSE	4,519.03	11,271.66	28,448.29
906720.361	ADMIN-INFO.SERV.COSTS	2,000.00	6,000.00	24,000.00
906720.365	ADMIN-GEN.SVC.FROM EPB	10,957.80	37,688.88	133,394.63
906720.367	ADMIN-CORP.ACCTG.SVC.	3,248.11	9,744.33	38,977.32
906720.368	ADMIN-HUMAN RES SERV	994.49	3,286.36	3,286.36
OPERATING EXP BEFORE DEPREC & PROP TAXES		(101,928.04)	784,291.54	3,703,568.26
906560.380	DEPREC-TELECOM SYSTEM	77,226.35	231,665.05	768,193.25
7200.501	IN LIEU OF TAXES	20,687.52	62,062.57	210,947.19
TOTAL OPERATING EXPENSES		(4,014.17)	1,078,019.16	4,682,708.70

**Item 19**  
**Discovery**  
**Request -**  
**Supplemental**  
**Response**

## AGREEMENT

THIS AGREEMENT is entered into on this \_\_\_\_ day of \_\_\_\_\_, 2002, between MetroNet, Incorporated, a Tennessee non-profit corporation ("MetroNet") and the Electric Power Board of Chattanooga, an independent board of the City of Chattanooga, Tennessee ("EPB").

WHEREAS, MetroNet was formed to assist the City of Chattanooga, Tennessee in promoting, encouraging and assisting economic development in the Chattanooga area by stimulating new capital investment in, and facilitating the development, improvement and operation of, the digital technology infrastructure available for use by public and private parties, coordinating public and private economic development strategies as they relate to digital technology, and acquiring, holding and operating assets related to the establishment, improvement, expansion of, and provision of services over such infrastructure; and

WHEREAS, EPB has substantial expertise and experience with digital technology infrastructure and desires to participate in MetroNet pursuant to Tennessee Code Annotated Section 7-52-103(c), as provided herein.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, MetroNet and EPB agree as follows:

1. Amended and Restated Charter. MetroNet shall cause its Charter of Incorporation to be amended and restated as attached hereto as Exhibit A. Subsequent amendments, if any, shall be made in accordance with the requirements of the Charter of Incorporation, as amended and restated from time to time.

2. Regulatory Approval. EPB shall take all reasonable steps to obtain regulatory approval of its participation in MetroNet and the provision of broadband internet services through MetroNet.

3. Broadband, Technical and Support Services. EPB will provide broadband, technical and support services to MetroNet as outlined herein (collectively, the "Services") within the budgets established, from time to time, under Section 4:

(a) Broadband Services. EPB will arrange for internet backbone services for MetroNet and will arrange for network operations and maintenance for MetroNet.

(b) Technical Services. EPB will be available, on an as-needed basis, to develop, recommend, and implement network design configurations, to provide network support activities, and to provide additional technical services as necessary.

(c) Support Services. EPB will be available, on an as-needed basis, to provide support services for the operations of MetroNet including, without limitation, billing and collection services and management consultation services.

4. Budgets.

(a) Initial Budget. MetroNet approves the budget attached hereto as Exhibit B for MetroNet's first year of operations. The budget shall constitute authorization for EPB and its personnel to expend funds and provide Services within the limits of such approved budget without further approval of MetroNet.

(b) Subsequent Budgets. No later than sixty (60) days prior to the end of the current budget year, EPB shall furnish MetroNet a proposed budget for Services for the following budget year. The proposed budget, as and when approved by MetroNet, and as thereafter amended or updated from time to time, shall constitute the approved budget of MetroNet for such year for EPB's provision of Services. Upon approval, the budget shall constitute authorization for EPB and its personnel to expend funds and provide Services within the limits of such approved budget without further approval of MetroNet.

(c) Modifications. MetroNet acknowledges that projections contained in the budgets for the Services are subject to and may be affected by changes in financial, economic, and other conditions and circumstances beyond EPB's control, and MetroNet shall, in good faith, adjust the budget from time to time to take into account such changes.

5. Advances. MetroNet shall advance funds to EPB, as needed from time to time, to cover the budgeted costs that EPB incurs in providing Services under this Agreement. EPB shall assign and allocate such costs to its Internet Division in the same manner and to the same extent as EPB assigns and allocates costs to its Telecommunications Division.

6. Term. EPB shall provide Services under Sections 3-5 of this Agreement for an initial term of one (1) year. This Agreement shall automatically renew for subsequent terms of one (1) year.

7. Termination.

(a) Without Cause. Either party may terminate EPB's provision of Services under this Agreement at any time, without cause, upon not less than ninety (90) days' prior written notice to the other party.

(b) For Cause. If either party shall fail to comply with any of the terms or provisions of this Agreement, or default in any of its obligations under this Agreement and shall fail within thirty (30) days after written notice from the other party to correct such default or non-compliance, the non-defaulting party may immediately terminate this Agreement upon written notice to the defaulting party.

(c) Effect of Termination. Termination of EPB's provision of Services under Sections 3-5 shall have no effect upon EPB's continued participation in MetroNet in accordance with the Charter of MetroNet, as amended from time to time.

8. Limitation of Liability. The obligations of EPB under this Agreement shall be limited to the extent required by applicable state and federal law. Without limitation of the foregoing, MetroNet acknowledges that the obligations of EPB under this Agreement are limited to the Internet Division of EPB and that neither EPB's electric system nor its Telecommunications Division assumes any financial obligation under this Agreement.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed as of the date first set forth above.

**METRONET INCORPORATED**

By: 

Name: Mayor

Title: Bob Corbett

**THE ELECTRIC POWER BOARD OF  
CHATTANOOGA, AN INDEPENDENT  
BOARD OF THE CITY OF CHATTANOOGA**

By: 

Name: Harold E. Delivest

Title: President & CEO

## EXHIBIT A

### AMENDED AND RESTATED CHARTER OF METRONET, INCORPORATED

The undersigned persons, pursuant to Article XIV of the Charter of MetroNet, Incorporated and the provisions of the Tennessee Nonprofit Corporation Act (the "Act"), do hereby make and adopt the following Amended and Restated Charter. This Amended and Restated Charter was duly adopted at a meeting of the Board of Directors on May 2, 2002, and the amendment is to be effective when filed by the Secretary of State.

#### ARTICLE I

##### NAME

The name of the Corporation shall be MetroNet, Incorporated.

#### ARTICLE II

##### NOT FOR PROFIT

The Corporation is a nonprofit corporation pursuant to the laws of the State of Tennessee. The Corporation is a public benefit corporation. No part of the income or assets of the Corporation is distributable to or for the benefit of its officers, directors, trustees, or others, except to the extent permissible by law.

#### ARTICLE III

##### DURATION

The duration or term of the Corporation is perpetual. The existence of the Corporation shall commence with the filing of this Charter with the Tennessee Secretary of State.

## ARTICLE IV

### PURPOSES

The Corporation is organized exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), and in furtherance of such charitable purposes, the Corporation will operate for the benefit of, perform the functions of, carry out the public purposes of, and generally act as a supporting organization within the meaning of Section 509(a)(3) of the Internal Revenue Code, to the City of Chattanooga, Tennessee, and for such exclusively public purposes and not otherwise, the Corporation more specifically will act to assist the City of Chattanooga, Tennessee in promoting, encouraging and assisting economic development in the Chattanooga Area by stimulating new capital investment in, and facilitating the development, improvement and operation of, the digital technology infrastructure available for use by public and private parties, coordinating public and private economic development strategies as they relate to digital technology, and acquiring, holding and operating assets related to the establishment, improvement, expansion of, and provision of services over such infrastructure, all of such purposes being public purposes in furtherance of the development and welfare of the area and its residents. The Corporation may do everything necessary, proper or convenient for the accomplishment of any of the purposes herein set forth, and to do every other act and thing incidental thereto that is not forbidden by the laws of the State of Tennessee or the provisions of this Charter. Notwithstanding the foregoing, the Corporation shall not provide either (i) telephony or other voice grade telecommunications services or (ii) cable television or other video programming services.



## ARTICLE V

### DIRECTORS

The Board of Directors of the Corporation shall include (i) the then-serving Mayor of the City of Chattanooga, Tennessee (the "Mayor), or the Mayor's designee, and five (5) additional Directors appointed by the Mayor; (ii) the then-serving President and Chief Executive Officer (the "President and CEO") of the Electric Power Board of Chattanooga, an independent board of the City of Chattanooga ("Electric Power Board"), or the President and CEO's designee, and four (4) additional Directors appointed by the Board of the Electric Power Board; and (iii) one (1) additional Director jointly appointed by the Mayor and the Board of the Electric Power Board. At least two (2) of the additional Directors appointed by the Board of the Electric Power Board shall be then-current Directors of the Electric Power Board. The Board of Directors of the Corporation shall serve for terms as provided in the bylaws. No person serving on the Board of Directors shall be deemed to be an agent of the City of Chattanooga or its Electric Power Board (when serving as Director of the Company), and neither the City of Chattanooga nor its Electric Power Board shall be liable for the acts or omissions of such Directors.

## ARTICLE VI

### RESTRICTIONS ON ACTIVITIES

No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to members, trustees, officers, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein. No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in or intervene in

(including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision of this Charter, the Corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

## ARTICLE VII

### DISSOLUTION

Upon dissolution of the Corporation, the Board of Directors shall, after paying and discharging or adequately providing for the payment and discharge of all of the liabilities and obligations of the Corporation and otherwise complying with the requirements of Title 48, Chapter 64 of the *Tennessee Code Annotated*, dispose of all of the remaining assets of the Corporation by assigning, transferring and conveying all such assets exclusively for economic development purposes of the City of Chattanooga within the meaning of with Section 501(c)(3) of the Internal Revenue Code; but if such purposes shall not be allowed by applicable law, then for one or more other exempt purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code, or for use for public purposes to the City of Chattanooga.

## ARTICLE VIII

### MEMBERS

The Corporation shall not have members.

ARTICLE IX

REGISTERED AGENT

The complete address of the Corporation's initial registered office in the State of Tennessee is Suite 1000, Volunteer Building, 832 Georgia Avenue, Chattanooga, Tennessee 37402, in the County of Hamilton. The name of the initial registered agent to be located at the address set forth in the preceding sentence is Ansley T. Moses.

ARTICLE X

INCORPORATOR

The name and complete address of the incorporator of the Corporation is Ansley T. Moses, Suite 1000, Volunteer Building, 832 Georgia Avenue, Chattanooga, Tennessee 37402.

ARTICLE XI

PRINCIPAL OFFICE

The complete address of the Corporation's principal office is: 101 East 11th Street, Chattanooga, Tennessee 37402.

## ARTICLE XII

### INDEMNIFICATION AND ADVANCEMENT OF EXPENSES

A. Mandatory Indemnification of Directors and Officers. To the maximum extent permitted by the provisions of Sections 48-58-501, *et seq.* of the Act, as amended from time to time, the Corporation shall indemnify and advance expenses to any person who is or was a director or officer of the Corporation, or to such person's heirs, executors, administrators, and legal representatives, for the defense of any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, and whether formal or informal (any such action, suit or proceeding being hereinafter referred to the "Proceeding"), to which such person was, is or is threatened to be made, a named defendant or respondent.

B. Permissive Indemnification of Employees and Agents. The Corporation may, to the maximum extent permitted by the provision of Section 48-58-501, *et seq.* of the Act, as amended from time to time, indemnify and advance expenses in a Proceeding to any person who is or was an employee or agent of the Corporation, or to such person's heirs, executors, administrators and legal representatives, to the same extent as set forth in the above paragraph A of this Article, provided that the Proceeding was instituted by reason of the fact that such person is or was an employee or agent of the Corporation. The Corporation may also indemnify and advance expenses in a Proceeding to any person who is or was an employee or agent of the Corporation to the extent, consistent with the public policy, as may be provided by its bylaws, by contract, or by general or specific action of the Board of Directors.

C. Non-Exclusive Application. The rights to indemnification and advancement of expenses set forth in paragraphs A and B above are contractual between the Corporation and the persons being indemnified, and his or her heirs, executors, administrators and legal representatives, and are not exclusive of other similar rights of indemnification or advancement

of expenses to which such persons may be entitled, whether by law, by this Charter, by a resolution of the Board of Directors, by the bylaws of the Corporation, by the purchase and maintenance by the Corporation of insurance on behalf of a director, officer, employee or agent of the Corporation, or by an agreement with the Corporation providing for such indemnification, all of which means of indemnification and advancement of expenses are hereby specifically authorized. The rights of indemnification and advancement of expenses set forth in this Article shall also apply, as appropriate, to any person who was an officer, director, employee or agent (or any such persons, heirs, executors and administrators) of any association, corporation, partnership or trust which was a predecessor to the Corporation, and to any officer, director, employee or agent of this Corporation (or any such persons, heirs, executors, administrators or legal representatives) who is serving or served in any capacity of another association, corporation, partnership or trust at the request of this Corporation.

D. Non-Limiting Application. The provisions of this Article shall not limit the power of the Corporation to pay or reimburse expenses incurred by any director, officer, employee or agent of the Corporation in connection with such persons appearing as a witness in a Proceeding at a time when he or she has not been made a named defendant or respondent to the Proceeding.

E. Repeal or Modification Not Retroactive. No repeal or modification of the provisions of this Article, either directly or by the adopting of a provision inconsistent with the provisions of this Article, shall adversely affect any right or protection, as set forth herein, existing in favor of a particular individual at the time of such repeal or modification.

## ARTICLE XIII

### LIMITED PERSONAL LIABILITY OF DIRECTORS


No person who is or was a director of the Corporation, nor such person's heirs, executors, administrators or legal representatives, shall be personally liable to the Corporation for monetary damages for breach of fiduciary duty as a director; provided, however, that this provision shall not eliminate or limit the liability of any such persons (1) for any breach of a director's duty of loyalty to the Corporation, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, or (3) under Section 48-58-304 of the Act. No repeal or modification of the provisions of this Article, either directly or by the adoption of provisions inconsistent with the provisions of this Article, shall adversely affect any right or protection as set forth herein, existing in favor of a particular individual at the time of such repeal or modification. The Corporation acknowledges that the Electric Power Board, whether through its Telecommunications Division or otherwise, may engage in other business ventures, independently or with others, whether or not similar to or in competition with the Corporation, and that the Corporation shall not have any right by in or to such other business ventures, or to the income or profits derived from such other business ventures. The Corporation acknowledges further that one or more Directors may also be employees or directors of the Electric Power Board who are or will be engaged in business ventures that may be similar to or in competition with the Corporation, and notwithstanding the provisions of part (1) of this Article XIII, the Corporation releases and shall indemnify every such Director from any and all claims asserting a breach of a Director's duty of loyalty to the Corporation.

ARTICLE XIV

AMENDMENT

This Charter may be amended by affirmative vote of the Board of Directors subject to the approval of the Mayor and the Board of the Electric Power Board.

IN WITNESS WHEREOF, the undersigned persons have hereunto subscribed their hands this the 6 day of May, 2002.

  
\_\_\_\_\_  
Director

APPROVED:

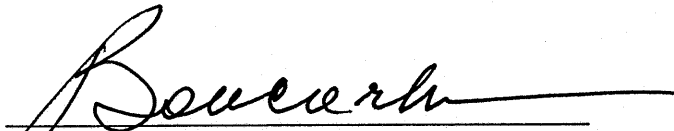
  
\_\_\_\_\_  
Robert P. Corker, Jr., Mayor of Chattanooga

EXHIBIT B

**Projections for EPB Internet**

<u>Revenues</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
EPB Management Fee from MetroNet	\$ 238,000	\$ 458,000	\$ 634,000
<b>Total Est.Income:</b>	<b>\$ 238,000</b>	<b>\$ 458,000</b>	<b>\$ 634,000</b>

<u>Expenses</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Gig E Connection	\$ 108,000	\$ 144,000	\$ 144,000
Network Maintenance	\$ 30,000	\$ 175,000	\$ 319,000
Billing and Collections		\$ 34,000	\$ 61,000
Network Operations	\$ 100,000	\$ 105,000	\$ 110,000
<b>Total Est.Expense:</b>	<b>\$ 238,000</b>	<b>\$ 458,000</b>	<b>\$ 634,000</b>



**EXHIBIT B**

**Projections for EPB Internet( Revised 7-15-02)**

<u>Revenues</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
EPB Management Fee from MetroNet	\$ 232,000	\$ 559,086	\$ 710,044
<b>Total Est.Income:</b>	<b>\$ 232,000</b>	<b>\$ 559,086</b>	<b>\$ 710,044</b>

<u>Expenses</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Gig E Connection	\$ 102,000	\$ 242,000	\$ 266,000
Network Maintenance	\$ 30,000	\$ 176,738	\$ 278,370
Billing and Collections		\$ 35,348	\$ 55,674
Network Operations	\$ 100,000	\$ 105,000	\$ 110,000
<b>Total Est.Expense:</b>	<b>\$ 232,000</b>	<b>\$ 559,086</b>	<b>\$ 710,044</b>

BEFORE THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE

RE: COMPLAINT OF US LEC OF  
TENNESSEE, INC. AGAINST  
ELECTRIC POWER BOARD OF  
CHATTANOOGA

:  
: Docket No. 02-562  
:  
: TN REGULATORY AUTHORITY  
: DOCKET BOARD

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ANSWER TO AMENDED COMPLAINT

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Comes now the Electric Power Board of Chattanooga ("EPB"), an independent board of the City of Chattanooga, Tennessee and files this Answer in response to the Complaint ("Complaint") of US LEC of Tennessee, Inc. ("US LEC") as amended by US LEC's Amendment to Complaint of US LEC filed in this matter on September 20, 2002. As described below, EPB denies that it has engaged in discriminatory and anti-competitive practices in violation of state law and the orders of the Tennessee Regulatory Authority ("TRA").

FIRST DEFENSE

The Complaint fails to state a claim upon which relief may be granted.

SECOND DEFENSE

To the extent that the Complaint addresses aspects of EPB's electric system operations, these matters are subject to the jurisdiction of the EPB Board of Directors and the requirements of EPB's electric system relationship to the Tennessee Valley Authority, and there is no subject matter jurisdiction before the TRA.

THIRD DEFENSE

To the extent that the relief sought by US LEC would purport to ask the TRA to exercise any jurisdiction over the assets of the electric division of EPB, any exercise of such jurisdiction is preempted under the laws of the United States by the authority of the Tennessee Valley

Authority (“TVA”) and the TVA Act of 1933 (“the TVA Act”) as amended, and the relationship of the EPB to TVA by virtue of the TVA Act and all actions, contracts, regulations, and terms and conditions in effect between TVA and EPB.

#### FOURTH DEFENSE

To the extent that the Complaint seeks relief against or regulation of EPB Telecommunications that is not “in the same manner and to the same extent as [for] other certificated providers of telecommunications service,” there is no subject matter jurisdiction under T.C.A. §7-52-401 or other applicable law.

#### FIFTH DEFENSE

T.C.A. §7-52-401, §65-4-124(a) and §65-5-208 do not authorize the relief requested in the Complaint.

#### SIXTH DEFENSE

US LEC’s claims are barred by the doctrines of waiver, laches, and estoppel.

#### SEVENTH DEFENSE

US LEC’s claims are barred by the applicable statutes of limitation.

#### EIGHTH DEFENSE

US LEC’s claims are barred by the doctrines of claim and issue preclusion.

#### NINTH DEFENSE

EPB responds to the specific allegations of the Complaint as follows:

1. Upon information and belief, EPB admits the allegations of Paragraph 1 of the Complaint.

2. EPB admits the allegations of Paragraph 2 of the Complaint, except with respect to the number of counties outside Hamilton in which it provides electric service, and avers that the correct number is seven.

3. EPB admits the allegations of the first Paragraph 3 of the Complaint.

4. Responding to the second Paragraph 3 of the Complaint, EPB states that the allegations contained therein seek to characterize the Order Approving Application for a Certificate of Public Convenience and Necessity, Docket No. 97-07488 (May 10, 1999) (the "Order"), and the Second Revised Proposed Conditions referenced in the Order at page 5, footnote 2 ("Proposed Conditions"), and EPB respectfully refers the TRA to those provisions for their meaning and effect and denies any inconsistent allegations. EPB further states that the allegations of the second Paragraph 3 constitute legal conclusions and, therefore, no answer is required to those allegations.

5. Responding to Paragraph 4 of the Complaint, EPB states that the allegations contained therein incorrectly seek to characterize provisions of the Proposed Conditions. EPB respectfully refers the TRA to those provisions for their plain meaning and effect and denies any inconsistent allegations. Answering further and responding to Paragraph 4.c., EPB denies that US LEC has properly interpreted the quoted portion of the Order at page 5, footnote 2. EPB avers that this portion of footnote 2 of the Order summarizes – rather than overrides or revises – the requirement at page 19 of the of the Proposed Conditions that EPB make available any written findings of EPB's internal audit staff to the TRA upon request.

6. Responding to Paragraph 5 of the Complaint, EPB admits that T.C.A. §7-52-401 says what it says.

7. Responding to the first sentence of Paragraph 6 of the Complaint, EPB admits that the telecommunications division of EPB operates under the name EPB Telecommunications, but denies that, in practice, EPB Telecommunications shortens its name to "EPB." Further responding to the first sentence of Paragraph 6, EPB avers that the Telecommunications Division of EPB is an operating division of EPB rather than a separate legal entity, and EPB denies that Memphis Light, Gas & Water Division's participation in Memphis Networkx, LLC (a separate Tennessee limited liability company) is in any way similar to the organizational structure of EPB and its telecommunications division. Answering the first part of the second sentence of Paragraph 6 of the Complaint, EPB denies that it can or should inform customers that its telecommunications division and electric divisions are separate legal entities, because these divisions are two parts of one legal entity. Further answering, EPB admits that US LEC has quoted portions of its EPB Telecommunications web page exhibit in the second, third, and fourth sentences of Paragraph 6 of the Complaint, but EPB denies US LEC's characterization of that exhibit. Responding to the fifth sentence of Paragraph 5 of the Complaint, EPB avers that it has inquired of the Senior Vice President of EPB Telecommunications and cannot confirm the allegations of the fifth sentence of Paragraph 5 of the Complaint, and therefore denies the same. EPB denies the final two sentences of Paragraph 6 of the Complaint. EPB further denies any remaining allegations of Paragraph 6 of the Complaint to the extent inconsistent with or contrary to the foregoing.

8. EPB denies the allegations of Paragraph 7 of the Complaint.

9. Responding to Paragraph 8 of the Complaint, EPB denies that its internal auditors have never issued any statement concerning EPB's compliance with the Proposed Conditions. Further answering, EPB denies that the Order requires it to file the internal audit reports but

admits that EPB's internal audit reports are available to the TRA upon request, as provided by the Proposed Conditions referenced in the Order. EPB denies that its actions constitute a violation of the Order. Further answering, EPB denies any allegations of Paragraph 8 of the Complaint to the extent inconsistent with or contrary to the foregoing.

10. EPB denies that the TRA should grant any of the relief requested in Paragraph 9 of the Complaint.

11. EPB denies the first sentence of Paragraph 10 of the Amendment to Complaint of US LEC. Responding to the second paragraph of Paragraph 10, EPB denies that US LEC has fully or adequately described its request of EPB Telecommunications and avers that T.C.A. §65-4-124(a) says what it says as enacted in its entirety. EPB denies the allegations of the third paragraph of Paragraph 10. Further answering, EPB denies any allegations of Paragraph 10 to the extent inconsistent with or contrary to the foregoing.

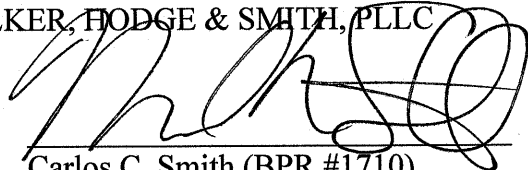
12. Any allegation not specifically admitted herein is denied.

WHEREFORE, based upon the foregoing, EPB requests the TRA to enter an order dismissing US LEC's Complaint with prejudice.

Respectfully Submitted,

STRANG, FLETCHER, CARRIGER,  
WALKER, HODGE & SMITH, PLLC

By:



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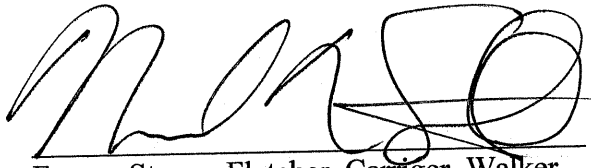
CERTIFICATE OF SERVICE

I certify that a true and exact copy of this pleading has been served upon the following attorneys by delivering a true and exact copy thereof to the offices of said counsel or by placing a true and exact copy of said pleading in the United States mail addressed to said counsel at his office with sufficient postage thereupon to carry the same to its destination:

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